What's at stake with CETA

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ABSTRACT

[...]CETA positions Canada and its businesses at the hub of free trade, with agreements with two of the world's largest economies, the EU and the U.S., potentially enhancing Canada's attractiveness as a global investment destination.

FULL TEXT

Last Friday, Belgium's Wallonia region instructed its federal government not to sign the Canada-EU Comprehensive Economic and Trade Agreement (CETA). This is one of the last remaining obstacles to this deal finally happening. Urgent negotiations are underway this week to overcome this hurdle. If it can be done, Canadian companies and consumers - and their European counterparts - could be reaping the benefits of CETA in early 2017.

The deal matters, with Canada getting better access to a more than $17 trillion market with high per capita incomes. Here are three key points about CETA that Canadians need to know.

CETA is about more than tariffs.

Although most EU products have no or low tariffs, sectors such as food products still have high duties. Under CETA, most remaining tariffs on exports will be removed immediately. Conference Board research (see accompanying chart) estimates that eliminating these tariffs will lead to $1.4 billion more in exports in 2023, compared with a scenario in which CETA is not in place.

Tariff elimination is usually the most talked-about feature of any free-trade agreement, but it is only one feature of many in this deal. CETA itself is larger in scale than any other agreement in Canada's history. Provisions have been made for improved protection of investments, freer trade in services, reduced impact of regulatory barriers, and measures to facilitate movement of people. These provisions matter because Canadian companies sell more in Europe (from their investments there) than they export directly to Europe. Furthermore, Canada and the EU engage in substantial, fast-growing services trade in both directions. If the CETA deal enables easier movement of people between the two markets, Canada's traded services could get a boost. CETA also

opens up the EU government-procurement market to Canadian firms, a very lucrative market once some European governments start spending again. The deal offers Canadians access to the best European technologies, capital, inputs, and expertise. In short, CETA positions Canada and its businesses at the hub of free trade, with agreements with two of the world's largest economies, the EU and the U.S., potentially enhancing Canada's attractiveness as a global investment destination.

These provisions also provide important benefits to European businesses and

consumers, such as making it easier for them to move businesspeople into Canada, providing them with access to the North American market, and providing a source of growth at a time when much of Europe is in slowgrowth mode.

Most of CETA will come into action even if individual member states don't approve the deal.

Each EU member state needs to approve the agreement for 100 per cent of the deal to pass. However, if the EU parliament ratifies the deal, then the 90 per cent of the provisions under EU jurisdiction will be implemented. For

example, the EU
is responsible for customs policy, and ratification in the EU parliament will ensure that tariff removal is implemented.

Assuming all goes well, Prime Minister Justin Trudeau is now slated to sign the deal in Brussels on Oct. 27. And assuming the European Parliament ratifies the deal in early 2017, 90 per cent of the deal will be in place. The remaining 10 per cent will need member-state approval, with some states approving immediately, and the others taking an additional three to five years to approve.

Companies must prepare and adapt to see the full benefits of CETA.

Canadian companies will need to do their homework to fully capitalize on the opportunities created by CETA. A Conference Board analysis of 9,000 Canadian companies that exported to Europe shows that firms have not been immediately profitable in the EU market. Most likely, firms find it difficult to adapt to EU safety and health norms and regulations that are different from those in North America.

CETA may reduce the sting of these barriers by ensuring greater regulatory cooperation between the EU and Canada, but companies will still need to innovate to respond to Europe's highly sophisticated and competitive market. The Conference Board analysis of these 9,000 companies shows that the most profitable and longlasting Canadian exporters to the EU have constantly introduced new products to the EU.

The two parties to the negotiation have done almost all that they can and are now in a final push to get it done. Canada's government is working hard for most of CETA to be in place by early 2017.The EU wants this deal to show the world that, despite the uncertainty brought on by Brexit, it can still sign trade deals. It is up to Canadian companies to prepare now to take full advantage of CETA.

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